

OUTLOOK

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2002 Legislative Summary

Contribution Increase Funds Major Class A Benefit Improvement

The critical issue for SDRS in the 2002 legislative session was resolved by the passage of House Bill 1033, which improved the Class A benefit formula multiplier. The improvement raises the Class A Standard Formula base benefit multiplier from 1.3 percent to 1.55 percent and the Class A Alternate Formula

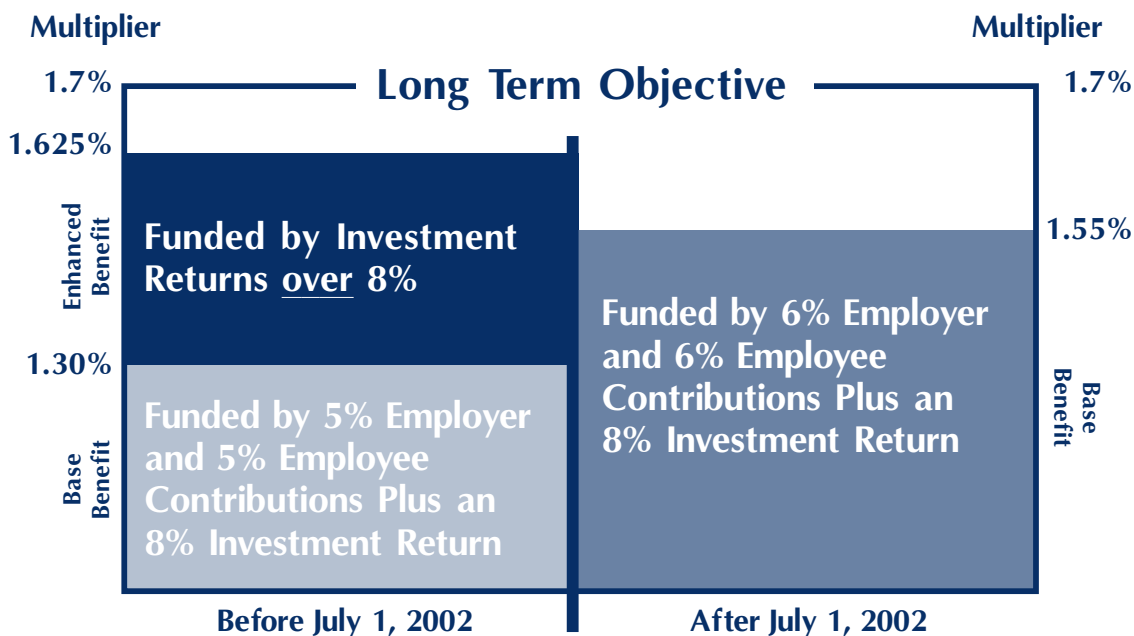
base benefit multiplier from 2.0 to 2.25 percent for credited service earned after July 1, 2002.

The improvement in the benefit formula will be funded by a law that was passed by the Legislature two years ago and will take effect this summer. The law requires that both Class A employee and employer contributions increase from the

current 5 percent to 6 percent of salary beginning on July 1, 2002.

Proposed by the SDRS Board of Trustees, the improvement increases future retirement benefits for more than 32,800 current members, pushes the multiplier up 20 percent for most Class A members and moves SDRS much closer to its long-term benefit goal. (continued on page 2)

Benefit Improvement—Class A Standard Formula



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Other Legislation

In addition to the benefit formula improvement, the Legislature passed a second bill proposed by the board of trustees, House Bill 1032. This legislation revises certain SDRS provisions to comply with the federal Economic Growth and Tax Relief Reconciliation Act of 2001.

The Tax Act of 2001 allows members to acquire credited service by transferring retirement dollars from the SDRS Supplemental Retirement Plan, other 457 plans or 403 (b) plans into SDRS. The bill contains an emergency clause that allows members to take immediate advantage of these portability provisions.

This new bill also protects the confidentiality of SDRS member information.


Failed Legislation

The following is a summary of bills not proposed by the board or passed by the 2002 Legislature. They include:

HB 1065 "Proposal to Add Two Additional Retiree Representatives to the SDRS Board of Trustees"—This bill would have increased the number of retiree representatives on the SDRS board from one to three. The proposal passed the House but failed in the Senate.

HB 1093 "Retire/Rehire Bill"—This bill would have prohibited members from future participation in SDRS if they are receiving an SDRS retirement benefit and return to full-time employment with an SDRS employer. The bill passed the House but failed in the Senate Retirement Laws Committee.

HB 1178 "Defined Contribution Account Bill"—This bill would have established a defined contribution account for members that could have been funded by a transfer of sick leave paid upon termination of employment, a transfer of the proceeds of IRAs, and dividends based on the favorable experience of the system. The bill failed in the House Retirement Laws Committee.

HB 1244 "Venture Capital Bill"—This bill would have allowed up to \$30 million of the assets of SDRS to be invested in venture capital in South Dakota. The bill failed in the House Retirement Laws Committee. 

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Board Notes

The following is a summary of major issues that came before the SDRS Board of Trustees at its meeting on April 10, 2002.

Budget Reports:

Rob Wylie, SDRS Finance Officer, reviewed the Fiscal Year 2003 Budget Report. Mr. Wylie advised the board that the funding for the three additional positions it approved in June had been included in the Governor's Recommended Budget for SDRS but was denied by the Appropriations Committee of the Legislature.

Legislative Report:

Mr. Asher reported on the 2002 Legislative Session. The two bills supported by the board, House Bills 1032 and 1033, passed both houses and were signed by the governor. House Bill 1032 implemented the changes allowed by the 2001 Federal Tax Act, and House Bill 1033 increased the Class A benefit formulas due to the increased contribution rates effective July 1, 2002. He

noted that four other bills affecting SDRS were introduced but failed during the session.

Investment Update:

Steve Meyers, State Investment Officer, reported on SDRS's fund returns for the fiscal year to date and the current investment conditions.

Retire/Rehire Issue:

The board continued its analysis of alternatives to resolve the retire/rehire issue. Paul Schrader, consulting actuary, outlined the current status of the issue, and the board heard testimony from several constituent groups and concerned parties. Following a lengthy discussion, the board concluded that a long-standing policy had been established, that there was no necessity to change the current retire/rehire provisions, and that they would continue to monitor the incidence and cost of retire/rehire annually. Additionally, the board noted that there was not

a consensus to support a change in the current provisions among the participating employer and employee groups that had testified before them.

Effective Rate of Interest:

The board set the effective rate of interest at 5 percent for Fiscal Year 2003.

Member Issues File:

The board reviewed the issues currently in the Member Issues File and discussed adding a Defined Contribution Account Proposal to the file.

Trustee Attendance at Board Meeting:

Present:

Brian Berglin, Elmer Brinkman, Carol Burch, Tracy Dahl-Webb, James Hansen, Royce Hueners, Louise Loban, Dave Merrill, Steve Myers, Pam Roberts, Lowell Slyter, Wes Tschetter, Don Zeller, Sandy Zinter, Steve Zinter

Absent:

K.J. McDonald and Robert Overturf

Web Site

Find Answers Fast on the Newly Expanded SDRS Web Site

Have you ever wondered how early you can retire with full benefits? Would you like to know when an SDRS Retirement Planner will visit your area?

Thanks to the newly expanded SDRS Web site, finding the answers to retirement questions can be an easy process.

First, log on to the site at www.state.sd.us/sdrs.

Next, find the subject you would like to learn more about, such as "Retirement Planners' statewide presentation schedule."

Then, just click and read. The latest information is right at your fingertips—24 hours a day!

The SDRS Web site features more than 50 pages of helpful facts on everything from the Supplemental Retirement Plan to Survivor Benefits.

You can search for quick answers, estimate your retirement benefit, download an article, print out a complete brochure, or send a question to SDRS via e-mail, all free of charge.

An Easy-to-Use Format

Presented in full color, the site offers a clear, easy-to-use format. Information is organized by subjects on the site's Homepage.

Confused about credited service? Then click on "Plan Features" at the top of the page. A window will appear displaying

the three classes of SDRS membership. Move your cursor to your class, for example, Class A, and click. A list of subjects will appear. Click on "Credited Service" and begin reading. If you want to save the information, move your cursor to the top of the screen and click on "Print." This will print the page.

After reading about credited service, you might decide to print out the entire 36-page Class A membership brochure. To do so, follow these instructions (see graphics at right):

- 1 Go to the top of the screen and click on "Publications."
- 2 Locate "General Brochures: Class A" from among the 12 documents displayed.
- 3 Click on the blue brochure icon, and the Class A brochure will appear on your screen.
- 4 Go to the tool bar at the top of the page, and click on the printer icon.

If you prefer to save the brochure as a file on your computer, then follow steps 1-3, click on the floppy disc icon, type in a file name, and click on "Save." Now you can refer to the membership brochure anytime, without going on-line.

Special Features

In addition to membership and benefit brochures, newsletters and annual reports, the SDRS Web site boasts several other special features. Click on the "Planning for Retirement" heading at the top of the Homepage, and you will find:

- "How Much Income Will You Need?"—An in-depth article offering step-by-step instructions for projecting your expenses during retirement.
- "Calculating Your SDRS Benefit"—An easy-to-use calculator that estimates your monthly benefit.
- "Understanding the Benefit Statement"—A sample personal benefits statement, clearly explained.
- "More Retirement and Financial Information"—A guide and link to the National Council on Teacher Retirement Web site, which is an excellent compliment to the SDRS site.

The SDRS Homepage offers links to other related Web sites, including those for the Social Security Administration, the South Dakota Legislature, and the State of South Dakota.

Helpful Hints

To get the most from the SDRS Web site, you may want to

download the Adobe Acrobat Reader software and the Microsoft Internet Explorer and Netscape browsers. These are listed on the left column of the SDRS

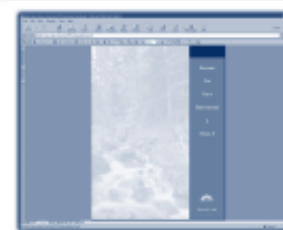
Homepage. You can download each one quickly by clicking on the heading and following the cues. **OUTLOOK**



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Trustee-to-trustee Transfer

Members Have New Method of Acquiring Additional Credited Service

Recent legislative changes have created a new method for members to acquire additional credited service in SDRS.

While purchasing prior service has always been possible, the new “trustee-to-trustee transfer” allows members to move funds from certain retirement plans (a trustee) to SDRS (also a trustee) to acquire credited service. Available for the first time this year, the trustee-to-trustee transfer uses member dollars already deposited in the SDRS Supplemental Retirement Plan (SRP), a similar § 457 plan or a § 403(b) plan to acquire additional credited service in SDRS. There are, however, very specific restrictions that have been established by the Internal Revenue Service:

1. A member must be contributing to SDRS at the time of the transfer.
2. A member must be a participant in the SRP, a similar § 457 plan or a § 403(b) plan—IRAs are not eligible for trustee-to-trustee transfers.
3. A member must either have eligible prior public service that is not currently credited within SDRS or have withdrawn all contributions from SDRS, returned to work for an SDRS employer and want to

reacquire the lost credited service.

4. The transfer of dollars must be for the exact amount (to the penny) necessary to acquire the credited service.
5. The dollars must be transferred directly from the SRP, a similar § 457 plan or a § 403(b) plan to SDRS without ever being accessible to the member.
6. The transfer must be completed within 30 days.

In addition to these IRS restrictions, members considering a trustee-to-trustee acquisition of credited service should note the following:

- Public employment must be verified before it is eligible for acquisition. Verifying the length, time, place and type of employment is the responsibility of the member. To determine the effect of additional credited service on your retirement benefit before verifying it, please use the benefit calculator on our Web site: <http://www.state.sd.us/sdrs/PlanningForRetirement/CalculatingSDRSBenefit.htm>.

- SDRS will review requests from members who have withdrawn contributions to determine both the member’s eligibility and the most cost-effective method of the acquisition.

If you have verified your prior service and have questions about the effect an acquisition would have on your future benefits, please direct your questions to the SDRS Benefit Section.

Acquisitions Checklist

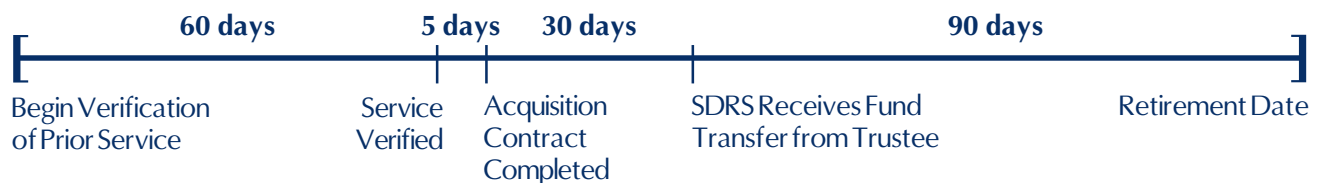
- ✓ Are you a contributing member of SDRS?
- ✓ Are you participating in the SRP, a similar § 457 plan or a § 403(b) plan?
- ✓ Do you have either prior public service not credited in SDRS or withdrawn credited service to redeposit?
- ✓ Do you have adequate dollars in the SRP, a similar § 457 plan or a § 403(b) plan to fully cover the funding?
- ✓ Does your other plan trustee understand that the transfer must be sent directly to SDRS within the 30-day time period? **Outlook**

The Six-Month Timeline for Acquisitions

The time it will take to complete a trustee-to-trustee transfer can be lengthy. Allow two months for the verification of prior service plus

another month for the transfer of dollars to SDRS. If you plan to retire soon after the transfer, be sure to allow at least three months from

the completion of the transfer to your retirement date.



Brian Berglin has represented teachers on the SDRS Board of Trustees since 1997.



Brian Berglin

“The exciting thing about the Web site is that it puts members in control.”

OUTLOOK Interview

SDRS has recently completed a major revision and expansion of its Web site. The new site includes information on SDRS plan features, legislative action, planning for retirement and frequently asked questions, as well as a complete library of SDRS publications.

Outlook: What does the new Web site do for SDRS members?

Berglin: To put it simply, it brings together all the information about SDRS into a single location. That means quick answers to a wide range of questions. If members want to know how the system's assets compare to liabilities, the answer is there. If they're curious about what happened during the last legislative session, or when the next board of trustees meeting will be, they can find that too. This site really has a wealth of information.

Outlook: How will the Web site change the way members acquire information about SDRS?

Berglin: While we do an excellent job of getting information to our members, the reality is that there are 60,000 people in the system—and they vary widely in age. As a consequence, their questions and concerns are very different. A 22-

year-old member and a retiree probably aren't struggling with the same issues. The exciting thing about the Web site is that it puts members in control. It allows them to find the information they need, when they need it.

Outlook: And unlike a loose collection of printed brochures, the information is always organized in one place.

Berglin: Exactly. What makes the site so useful is that you don't have to search your office or house to find a brochure or write to the system for the most recent edition. It's all on the Web site.

Outlook: Is there anything especially important for members to review on the site?

Berglin: I think the benefit calculator can be a great tool. It doesn't matter if you're starting your career, in the middle or near the end of it, you will find it useful to project what your SDRS benefit will be.

Outlook: How does the calculator work?

Berglin: The calculator combines a member's years of credited service,

salary and retirement date, calculates the benefit using the formula, and then displays an estimated benefit. What's so good about it is that you can change the salary or retirement date and instantly get a new benefit estimate.

Outlook: It seems like it's an ideal planning tool.

Berglin: It is. And that's because the calculator allows you to experiment with so many different possibilities. For example, you can compare your benefit if you were to retire at age 55, 58 or 68. Or maybe you're trying to decide whether to accept a job promotion. You can immediately see what an increase in annual salary would do to your SDRS benefit. The calculator also allows you to see the effect of purchasing years of credited service. And most important, all of this is simple and easy to do.

I would urge members to visit the SDRS Web site. I think they'll find a lot of quality information that they can tailor to their specific needs. **OUTLOOK**

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